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ACTUARIAL COST ESTIMATES OF THE EFFECTS OF PUBLIC LAW 98-21 ON THE OLD-AGE, SURVIVORS AND DISABILITY INSURANCE AND HOSPITAL INSURANCE PROGRAMS

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Prepared for the use of the Committee on Ways and Means by its staff

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ACTUARIAL COST ESTIMATES OF THE EFFECTS OF PUBLIC LAW 98-21 ON THE OLD-AGE, SURVIVORS AND DISABILITY INSURANCE AND HOSPITAL INSURANCE PROGRAMS

I. Introduction

This report presents actuarial cost estimates of the effects of the Social Security Amendments of 1983 (Public Law 98-21) on the future experience of the old-age, survivors and disability insurance (OASDI) program and the hospital insurance (HI) program. The enactment of Public Law 98-21 was the culmination of legislative deliberations which began soon after the National Commission on Social Security Reform reported its findings and recommendations to the President on January 20, 1983.

The recommendations of the National Commission formed the basis of two similar bills that were introduced in the Congress—H.R. 1900 in the House of Representatives and S. 1 in the Senate. The House passed H.R. 1900 on March 9. An amended version of H.R. 1900 was passed by the Senate on March 23. A House-Senate Conference Committee reached agreement on the final provisions of the bill on March 24. The House accepted the conference agreement late in the evening of March 24, and the Senate accepted the agreement shortly thereafter, in the early morning hours of March 25. The President signed into law the Social Security Amendments of 1983 on April 20, 1983.

1. Time periods covered by the estimates

In general, the estimates in this report are classified as short- and long-range estimates. Estimates for the 10-year period 1983-92 are considered to be short-range estimates. Estimates for the 75-year period 1983-2057 are considered to be long-range estimates for the OASDI program. Estimates for the 25-year period 1983-2007 are considered to be long-range estimates for the HI program.

2. Form of the estimates

Short-range estimates are presented in terms of current dollar amounts. For example, such items as income, expenditures and trust fund balances are all shown in those terms over the first 10 years. Trust fund balances at the beginning of each calendar year are also expressed as percentages of expenditures during that year.

Long-range estimates are shown as percentages of taxable payroll rather than in dollar amounts. The taxable payroll consists of the total earnings which are subject to Social Security taxes, adjusted to reflect the lower effective tax rates (in comparison with

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Note: The estimates presented in this report were prepared before the enactment of Public Law 98-21 and therefore do not reflect revisions in estimated program costs that were made later.

the combined employee-employer rate) which apply to self-employment income (for years before 1984), tips and multiple-employer "excess wages." (Beginning in 1984, the tax rates that apply to self-employment income are scheduled to increase, under Public Law 98–21, to the combined employee-employer rate.) These adjustments are made so that the expenditures (or items of income other than payroll taxes), when expressed as a percentage of taxable payroll, are directly comparable to the combined employee-employer tax rate in the law. The sum of the combined tax rate and the income from taxation of benefits (described later), expressed as a percentage of taxable payroll, will be termed the "total income rate", or simply the "income rate." The term "cost rate" refers to the expenditures expressed as a percentage of taxable payroll. Estimates of trust fund balances, expressed as percentages of annual expenditures, are also made for the long-range period.

3. Assumptions underlying the estimates

This report presents estimates for the short- and long-range periods on the basis of an intermediate set of assumptions (alternative II–B). Short-range estimates based on a set of pessimistic assumptions (alternative III) are also shown in this report. Both alternatives II–B and III, which are summarized in table 1, were developed in January 1983 as preliminary assumptions for the 1983 Annual Reports of the Boards of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds and the Federal Hospital Insurance Trust Fund. These preliminary assumptions were also used by the Congress in the legislative development of the Social Security Amendments of 1983.

It should be recognized that future economic and demographic experience cannot be predicted with a high degree of certainty. While alternative II–B is intended to be a realistic, intermediate set of assumptions, and alternative III is intended to be a pessimistic set, the experience that actually occurs in the future could be more favorable than the alternative II–B assumptions or more unfavorable than the pessimistic alternative III assumptions. The estimates presented in this report should therefore be used with caution.

4. Financial soundness

In the short range, the financial soundness of each of the trust funds can be assessed by considering the size of the trust fund balance, in absolute terms and as a percentage of the annual expenditures, and whether the balance is growing or declining. In the long range, the traditional measure of financial soundness has been the actuarial balance of the system. The actuarial balance is defined as the difference between the total income rate and the cost rate. If the average income rate is between 95 percent and 105 percent of the average cost rate, over the 75-year long-range projection period, the system is said to be in close actuarial balance.

After the following summary of the various provisions of Public Law 98–21, this report presents short- and long-range estimates for the OASDI and HI programs as modified by the amendments.

II. Summary of Various Provisions of Public Law 98-21

The major provisions of Public Law 98-21 are as follows:

1. Coverage of newly hired Federal employees

Compulsory coverage under the OASDI program will be provided for Federal civilian employees of the executive, legislative and judicial branches (military employees have been covered since 1957) hired after 1983. (Beginning January 1, 1983, coverage under the HI program had already been provided for all Federal employees, including those hired before 1983, under the Tax Equity and Fiscal Responsibility Act of 1982, Public Law 97-248, which was enacted into law on September 3, 1982.) Persons in Federal civilian employment before 1984 are generally not affected by this provision unless they leave Federal service for more than 365 consecutive days (beginning before or after January 1, 1984) and are rehired by the Federal Government after 1983. Compulsory coverage will be provided for current employees of the legislative branch who are not participating in the Civil Service Retirement System on December 31, 1983; for all Members of Congress; for the President and the Vice President; for Federal judges; and for most high-level political appointees in the executive branch. Compensation received by retired federal judges for periods in which judicial duties are performed will also be considered wages under Social Security for both contributions and retirement test purposes.

2. Coverage of employees of nonprofit organizations

The earnings of all current and future employees of private tax-exempt nonprofit organizations will be covered after 1983. Under prior law, work performed for such organizations was excluded from coverage unless the organization waived its exemption from Social Security taxation. Employees affected by this provision will be deemed to be fully insured for Social Security benefits if the following conditions are met:

(a) On January 1, 1984, the employee is age 55 or older and is employed by a nonprofit organization to which coverage is extended solely as a resulted of Public Law 98-21, and

(b) The employee acquires after December 31, 1983, a specified number of quarters of coverage which depends on the employee's age, as follows:

Age on Jan. 1, 1984:	*Quarters of coverage required*
60 or over	6
59	8
58	12
57	16
55 or 56	20

In addition, the new law provides that Social Security coverage for employees of nonprofit organizations may not be terminated on or after March 31, 1983.

3. Prohibited termination of coverage of State and local government employees

The new law prohibits States from terminating coverage of State and local government entities if the termination had not become effective before the date of enactment (April 20, 1983).

4. Six-month delay in cost-of-living adjustment

The effective month for automatic cost-of-living increases in OASDI benefits is changed from June to December of each year, beginning in 1983. The period over which the increase in the Consumer Price Index (CPI) is measured to determine the benefit increase for December 1983 is unchanged from previous law (the period is from the first quarter of 1982 through the first quarter of 1983). However, the benefit increases in 1984 and later years will be based on the CPI increase from the third quarter of the previous year through the third quarter of the year in which the benefit increase becomes effective.

5. Modification in cost-of-living increases during periods of low trust fund balances (stabilizer provision)

Beginning with the December 1984 benefit increases, future automatic increases in benefits will be limited, under the stabilizer provision, to the lower of the increases in wages or prices if the combined assets of the OASI and DI Trust Funds, as a percentage of estimated annual expenditures, fall below a specified level. This specified level is 15 percent for benefit increases in 1984 through 1988, and 20 percent for benefit increases in 1989 and later. If assets fall below that level, the automatic benefit increase will be the smaller of (1) the increase in prices as measured by the CPI (the same benefit increase that would apply if the level of trust fund assets were not below the specified levels of 15 percent or 20 percent) or (2) the increase in average wages in the previous year as compared with the second preceding year—which is used for purposes of adjustments in the contribution and benefit base and in other wage-indexed program amounts.

The new law also provides for "catch-up" benefit increases for those beneficiaries whose benefit increases were reduced as a result of this provision. Specifically, when the assets of the combined OASI and DI Trust Funds exceed 32 percent of estimated annual expenditures, additional increases in benefits are provided, to the extent that funds are available above the 32-percent trust fund level, until benefits are increased to the level at which they would have been if all increases had been based on CPI increases.

The assumed benefit increases under the old law and the new law are shown in table 2.

6. "Normalized" tax transfers

The new law provides that the estimated amount of Social Security taxes to be received each month shall be transferred from the general fund of the Treasury to the trust funds on the first day of the month, instead of on a daily basis as taxes are collected. This provision, which essentially allows short-term loans by the general fund to the trust funds, requires that the trust funds pay interest

on such advance tax transfers. The net effect is to make funds available when needed to pay benefits, which are normally paid on the third of each month.

7. Interfund borrowing reinstatement

The new law reinstates the interfund borrowing authority that expired at the end of 1982 and extends it through the end of 1987. The new law also adds certain requirements as to when loans can be made, when they must be repaid, and when interest must be paid.

8. Elimination of windfall benefits for persons receiving pensions from noncovered employment

The computation of OASDI benefits will be modified for most workers (with certain exceptions) who first become eligible after 1985 for both a pension based wholly or in part on noncovered employment and a retired- or disabled-worker's benefit under Social Security. The modification replaces the 90-percent factor generally applied to average indexed earnings in the first band of the benefit formula by a factor of 40 percent, after a phase-in period of 5 years (1986–90).

As an exception, the benefits for workers with 30 or more years of coverage (as defined for purposes of the special minimum benefit under the Social Security Act) will not be affected. For workers with 26, 27, 28, or 29 years of coverage, instead of 40 percent, the first factor of the benefit formula will be 50, 60, 70, or 80 percent, respectively.

The reduction in the Social Security benefit which results from this provision may not exceed one-half of the pro-rata portion of the pension which is attributable to noncovered employment after 1956.

Certain groups are exempted from this effects of this provision, as follows:

(a) workers who are compulsorily covered on January 1, 1984, as a result of the new law. These include a small number of current Federal employees and all nonprofit employees covered solely because of the new law except those whose past employment for a nonprofit organization had been covered, but whose employment for that organization was not covered on December 31, 1983.

(b) employees whose only pension based on noncovered employment is a railroad retirement pension.

9. Increase in normal retirement age

The normal retirement age (i.e., the earliest age at which unreduced retirement benefits can be received) will be gradually increased from age 65 to age 67. For persons attaining age 62 in 2000, the normal retirement age will be increased by 2 months—to age 65 and 2 months. In each succeeding year, the normal retirement age will be increased by 2 additional months until it reaches age 66 for persons attaining age 62 in 2005. The normal retirement age will then remain at age 66 for persons attaining age 62 through 2016. Beginning with persons attaining age 62 in 2017, the normal retirement age will again increase by 2 months each year, until it reaches age 67 for persons attaining age 62 in 2022 and later.

The minimum age of eligibility for reduced benefits will remain unchanged at age 62 (age 60 for widows and widowers). However, when the normal retirement age begins to increase, there will be corresponding increases in the amount of reduction for early retirement. The amount of reduction will be 5/9 of 1 percent for each of the first 36 months of early retirement (as under present law), and 5/12 of 1 percent for each month in excess of 36. Thus, for persons attaining age 62 during 2005–2016, for whom the normal retirement age will be 66, the reduced benefit payable at age 62 will be 75 percent of the PIA. For persons attaining age 62 in 2022 and later, for whom the normal retirement age will be 67, the reduced benefit payable at age 62 will be 70 percent of the PIA. (See table 3.)

10. Increase in delayed retirement credits

Beginning with workers who attain age 65 in 1990, the increment for delaying retirement past the normal retirement age will increase by ½ of 1 percent every second year, from 3 percent per year of delayed retirement for workers attaining age 65 in 1982–89, until reaching 8 percent per year of delayed retirement for workers attaining normal retirement age (age 66) after 2008.

The normal retirement age and the delayed retirement credit for persons attaining age 62 in each year 1986 and later are shown in table 3. The percentages of PIA payable as benefits beginning at ages 62, 65, 66, 67 and 70 are also shown for each age cohort in this table. The percentage of PIA payable at the various ages shown in the table reflects the combined effects of both the scheduled increases in normal retirement age and the scheduled increases in delayed retirement credits.

11. Reduced withholding rate under the retirement test

Beginning in 1990, the benefit withholding rate under the retirement test will be reduced from $1 for each $2 of earnings over the annual exempt amount to $1 for each $3 of excess earnings, for beneficiaries who have reached the normal retirement age (age 65 in 1990–99). When the normal retirement age begins to increase in 2003, the age at which the reduced withholding rate will apply will also increase.

12. Taxation of Social Security benefits

Beginning in 1984, as much as one-half of OASDI benefits (and railroad retirement tier 1 benefits) will be included in taxable income for taxpayers with incomes above certain base amounts. The sum of a taxpayer's (1) adjusted gross income, (2) tax-free interest income and (3) one-half of OASDI benefits will be compared to a base amount of $25,000 for a single taxpayer, or $32,000 for a married couple filing a joint tax return. If the sum exceeds the base amount, the amount of benefits to be included in taxable income will be the lesser of:

(a) one-half of the excess of such sum over the base amount, or
(b) one-half of the amount of benefits received.

The revenue raised by this taxation of benefits will be automatically transferred to the OASDI Trust Funds.

The new law does not provide for indexing the base amounts of $25,000 and $32,000. These amounts are, therefore, scheduled to remain the same in all future years.

13. Changes in tax rate schedule

The OASDI tax-rate increase scheduled for 1985 is advanced to 1984, and part of the increase scheduled for 1990 is advanced to 1988. Both the OASDI and HI tax rates on self-employment income are increased by making them equal to the corresponding combined rates for employees and employers, beginning in 1984. The tax rates under the old law and the new law are shown in table 4.

For 1984 only, a tax credit of 0.3 percent of taxable wages (equal to the 1984 tax-rate increase for employees) will be allowed against the taxes paid by employees. Similarly, tax credits of 2.7 percent, 2.3 percent and 2.0 percent will be allowed against taxable self-employment income in 1984, 1985, and each year 1986–89, respectively.

Beginning in 1990, self-employed persons will be allowed to deduct from their net earnings from self-employment an amount equal to such income multiplied by one-half of the Social Security tax rate for the self-employed. The result will be multiplied by the entire tax rate for the self-employed, and that product will be the Social Security tax liability for the year (with the usual limitations imposed by the annual earnings base). Half of the Social Security tax liability will be deductible in computing Federal income taxes for the self-employed. The effect of this procedure will be to place self-employed persons in roughly the same position as employees in regard to their Social Security and Federal income taxes.

The allocation of the total OASDI tax rate between the OASDI and DI Trust Funds is also modified by the new law, as shown in table 5.

14. Acceleration of State and local tax collections

The new law requires that, after 1983, the Social Security taxes due on the wages of employees of State and local government entities be deposited semi-monthly, within 15 days after the end of each 15-day period, rather than 30 days after the end of each month, as under previous law.

15. Increase in benefits for certain surviving, divorced and disabled spouses

Four provisions of the new law will increase benefits payable to certain surviving, divorced and disabled spouses. Most of the affected beneficiaries, present and future, are women.

The first provision will allow the continuation of benefits for disabled and surviving divorced spouses who remarry after becoming eligible for benefits. This provision is effective for benefits payable after 1983.

The second provision will change the indexing procedures used to calculate deferred benefits for surviving spouses of workers who die before attaining age 62. Under present law, the earnings histories of such workers are indexed by wage increases to the second year preceding the year of death. Beginning with the year of death, benefits are indexed by increases in the CPI. The new law provides

for wage indexing through the year in which the worker would have reached age 60, or 2 years before the survivor's eligibility for benefits, if earlier, whenever such indexing produces a larger monthly benefit amount. This provision is effective for newly eligible survivors after 1984.

The third provision will provide entitlement to benefits, after 1984, for divorced spouses when the former spouse is not receiving benefits. Under previous law, the former spouse on whose earnings record the benefits were payable had to claim benefits before his or her divorced spouse could claim benefits. Also, under previous law, if the former spouse claimed benefits but continued to work, the divorced spouse could have benefits withheld because of the retirement earnings test. The new law essentially permits independent entitlement.

The fourth provision will increase the benefits, after 1983, for any person who is or ever was entitled to benefits before age 60 as a disabled widow or widower. Previous law required that the initial benefits of such persons would vary from 50 to 71.5 percent of the primary insurance amount for ages at entitlement ranging from 50 to 60. The new law will provide a 71.5-percent benefit rate for all such beneficiaries.

16. Modification to financing basis of noncontributory military service wage credits

The new law changes the financing basis of noncontributory military service wage credits under the Social Security Act. These deemed wage credits generally had been financed through reimbursements by the general fund of the Treasury for the additional benefit payments and administrative expenses attributable to such wage credits, with adjustments for interest.

Under the new law, the estimated present value of the additional past and future costs attributable to wage credits for military service before 1957, less the accumulated value of past reimbursements, was paid in a lump-sum transfer on May 20, 1983. For the deemed wage credits based on military service in 1957–83, a similar lump-sum transfer was made on the same date to reflect the differences, accumulated with interest, between what was actually paid in the past and what would have been paid if such deemed wage credits had been taxed at the combined employee-employer rate. For deemed wage credits based on military service after 1983, a transfer will be made on July 1 of each year in an amount equal to what would be paid if such deemed wages in the year were taxed at the combined employee-employer rate.

17. Reimbursements for unnegotiated checks

The new law will provide reimbursement to the Social Security trust funds for all past and future benefit checks that remain uncashed 6 months after being issued. Under previous law, the total amount for all checks issued was deducted from the trust funds, and such unnegotiated checks were never reimbursed. Lump-sum reimbursements for past uncashed checks will be made in 1983, subject to the appropriations process. Future reimbursements are also subject to the annual appropriations process.

18. Modification of public pension offset

The new law provides that any person becoming eligible after June 1983 for both a pension based on noncovered governmental employment and a Social Security benefit as a spouse or widow(er) will have that Social Security benefit reduced by two-thirds of the amount of the noncovered pension. Previous law provided for offset by the entire pension amount.

19. Taxation of contributions under certain salary reduction plans

The new law requires that employer contributions to salary reduction plans under Internal Revenue Code sections 401(k) and 403(b), and to certain nonqualified deferred compensation arrangements, will be taxable for Social Security purposes. The income-tax treatment of these contributions will not be affected. The provision is effective for contributions made after 1983.

20. Suspension of benefits to certain nonresident aliens

The new law will suspend benefit payments to any nonresident alien receiving benefits or applying to receive them as an auxiliary or survivor beneficiary of an insured worker (whether or not the worker is a U.S. citizen), whenever such alien has been outside the United States for six consecutive calendar months. Alien auxiliary or survivor beneficiaries who can prove that they had lived in the United States for a total of at least 5 years during which their relationship with the insured worker was the same as the one on which eligibility for benefits is based would be exempt from this provision. The provision is effective with respect to any individual who becomes eligible for benefits after 1984.

21. Expanded use of death certificates

The new law provides authority for the Secretary of Health and Human Services to contract with the States for death certificate information. This information will be used to prevent the erroneous payment of benefits to deceased individuals.

22. Other changes

The new law includes many other provisions which do not have a significant impact from an actuarial cost standpoint on the OASDI program. Some of these provisions made minor or technical modifications to the Social Security Act, some require studies to be performed, and some affect such a small number of beneficiaries that the cost effect is negligible.

III. Short-Range Cost Estimates for the OASDI Program

The estimates in this section cover the first 10 years of projected operations of the OASI and DI Trust Funds, under the program as amended by Public Law 98–21. The estimates of trust fund operations are shown in terms of absolute current dollars. The trust fund balances at the beginning of each year are also shown, expressed as a percentage of expenditures during the year. These percentages will be referred to as trust fund ratios, in this report.

1. OASDI income and expenditures during the next 10 years

Tables 6 and 7 show the estimated operations of the OASI and DI Trust Funds under the amended program during calendar years 1983–92, on the basis of the intermediate alternative II–B assumptions and the more pessimistic alternative III assumptions, respectively, as well as actual experience in calendar year 1982.

Based on the alternative II–B assumptions, the estimates shown in table 6 indicate that the combined trust funds will grow slowly during the first 5 years of the projection period, 1983–87. Beginning in 1988, when the second accelerated increase in the tax rates occurs, the trust funds are expected to grow more rapidly throughout the remainder of the 10-year projection period, with the trust fund ratio rising from 24 percent at the beginning of 1988 to 64 percent by the beginning of 1992.

For the combined funds, the trust fund ratio is estimated to increase from 15 percent at the beginning of 1983 to 22 percent at the beginning of 1984, on the basis of the alternative II–B assumptions. This increase includes, in the balance at the beginning of 1984, the tax receipts for January 1984 which are to be transferred on the first day of the year under the provision for normalized crediting of taxes to the trust funds. The advance tax transfers for January of each year 1984 and later are reflected in the trust fund ratios for OASI and DI because the transfers will be available for the payment of OASDI benefits which are due at the beginning of each month. Thus, this provision increases the projected trust fund ratios by about 7–8 percentage points, as compared with those under previous law.

As in the case of the combined trust funds, the OASI Trust Fund is expected to grow slowly during the first 5 years, under the alternative II–B assumptions. More rapid growth is expected during the second 5 years, with the trust fund ratio rising from 23 percent to 59 percent by the beginning of 1992. The assets of the DI Trust Fund are expected to remain nearly constant, in absolute current dollars, during the first 5 years, with rapid growth expected during the second 5 years.

Tables 6 and 7 show the amounts transferred to the OASI Trust Fund from the HI and DI Trust Funds in 1982 under the interfund borrowing authority provided by Public Law 97–123, which was signed into law on December 29, 1981. The amounts that are assumed to be repaid in each future year, in accordance with provisions in Public Law 98–21, are also shown. It should be noted that the outstanding loan amounts are included in the OASI Trust Fund balances (and reflected in the OASI Trust Fund ratios), while the amounts of outstanding loans from the DI Trust Fund are excluded from the DI Trust Fund balance (with such exclusion reflected in the DI Trust Fund ratios).

The estimates based on the alternative III assumptions (shown in table 7) indicate an overall decline in the OASI Trust Fund, and in the combined OASI and DI Trust Funds, during the first 5 years, with the trust fund ratio falling to 14 percent for the OASI Trust Fund, and 16 percent for the combined funds, by the beginning of 1988. Both trust funds are expected to grow rapidly during the second 5 years, under alternative III, with the OASI Trust Fund

ratio reaching 40 percent, and the combined trust fund ratio reaching 45 percent, by the beginning of 1992.

Under the alternative III assumptions, the benefit increases for December 1984 and December 1985 would be limited, under the stabilizer provision, to the increases in average wages in 1983 and 1984, respectively, because the OASDI fund ratio (as defined in the stabilizer provision) is estimated to be less than 15 percent at the beginning of each year 1984 and 1985. By the beginning of 1991, the OASDI fund ratio is estimated to exceed 32 percent and the "catch-up" provision would become effective with the benefit increase for December 1991. Those beneficiaries who received reduced benefit increases in 1984 and 1985 (or in 1985 only) would have their benefit levels completely restored by the December 1991 increase.

Although the estimated trust fund ratios are relatively low during the first 5 years of the projection period, the estimates indicate that assets will be sufficient to ensure the timely payment of benefits, on the basis of both sets of assumptions. However, it should be noted that such timely payment cannot be guaranteed under all circumstances. For example, financial problems could again occur in the event of a sharp economic downturn before 1988.

2. Changes in OASDI income and outgo in calendar years 1983–89

The changes in tax income, general fund transfers, and benefit payments under the OASDI program in 1983–89, as a result of the provisions in Public Law 98–21, are shown in tables 8 and 9, by provision. The estimates are based on the alternative II–B assumptions and the alternative III assumptions, respectively.

IV. Long-Range Cost Estimates for the OASDI Program

The estimated effects of the various provisions in Public Law 98–21 on the long-range actuarial balance of the OASDI program are shown in table 10. It may be observed from this table that the long-range OASDI actuarial deficit of 2.09 percent of taxable payroll, that was estimated under the old law, is eliminated by the 1983 amendments. The small deficit of 0.03 percent that remains in the OASI program is exactly offset by the small surplus that remains in the DI program. However, each program is well within the bounds of close actuarial balance.

For the OASDI program as modified by the 1983 amendments, table 11 shows a comparison of the estimated cost rate with the estimated income rate for selected years from 1983 through 2060. As indicated previously, the income rate is the sum of the scheduled tax rate and the income from taxation of benefits expressed as a percentage of taxable payroll. The scheduled tax rates for employees and employers, combined, are:

[In percent]

Calendar year	OASI	DI	Total
1983	9.55	1.25	10.80
1984–85	10.40	1.00	11.40
1986–87	10.40	1.00	11.40
1988–89	11.06	1.06	12.12
1990–99	11.20	1.20	12.40
2000 and later	10.98	1.42	12.40

Table 11 shows that, on the basis of the 1983 alternative II–B assumptions, estimated income will exceed the estimated cost of the program through the second decade of the next century. After the year 2020, income from scheduled payroll taxes and from the taxation of benefits will not be large enough to cover estimated annual costs, although the accumulated trust fund balance will be sufficient to allow the program to continue operating satisfactorily for many years. The average actuarial balances are estimated to be a surplus of 1.85 percent of taxable payroll for the first 25 years of the long-range projection period and a surplus of 0.25 percent for the second 25 years. These surpluses are exactly offset by an estimated deficit of 2.10 percent of taxable payroll in the third 25-year period of the 75-year projection period.

Table 12 shows the estimates of OASI and DI Trust Fund ratios under the amended program for each year from 1981 through 2060. As a percent of annual expenditures, the combined assets of the OASI and DI Trust Funds are estimated to grow until the latter part of the second decade in the next century, reaching levels of about 540 percent of annual expenditures. Thereafter, the combined trust fund ratios decline steadily to less than 50 percent by 2060.

The trust fund ratio for OASI exhibits a similar pattern—increasing to about 565 percent in the second decade of the next century and declining thereafter to less than 25 percent by 2060. The DI Trust Fund increases to about 400 percent of annual expenditures by the first decade of the next century and declines to about 220 percent by the year 2060.

V. Cost Estimates for the HI Program

The estimates in this section cover the operations of the HI Trust Fund over the short range (1983–92), as well as the actuarial status of the program over the long range (the 25 years 1983–2007), under the program as amended by Public Law 98–21.

1. Short-range estimates

The estimated operations of the HI Trust Fund during calendar years 1983–92 under the amended program are shown in tables 13 and 14 on the basis of alternatives II–B and III, respectively, along with actual experience in calendar year 1982. The trust fund balance at the beginning of 1982 was 52 percent of the expenditures in 1982. Almost entirely because of the exclusion of the $12.4 billion transferred from the HI Trust Fund to the OASI Trust Fund in 1982, under the interfund borrowing authority, the trust fund ratio fell to only 20 percent by the beginning of 1983. The fund is expect-

ed to rise to 25 percent of annual expenditures by the beginning of 1984, as a result of the provision in Public Law 98–21 which changes the financing basis of noncontributory wage credits for military service under the HI program as well as the OASDI program.

Based on the alternative II–B assumptions (table 13), the trust fund ratio falls during 1984 and 1985 until it reaches about 17 percent by the beginning of 1986. After 1985, the fund stops declining and remains at about the same relative level through 1988, largely because of the assumed repayment during 1986–88 of the $12.1 billion outstanding balance of the $12.4 billion loan from HI to OASI in 1982. (About $0.3 billion of the loan is assumed to have been repaid in 1984.) After the assumed completion of the loan repayment in 1988, the HI Trust Fund is estimated to decline rapidly and to become depleted in 1990, based on the alternative II–B assumptions.

On the basis of the alternative III assumptions (table 14), the fund declines steadily through 1986, then rises in 1987 because of the assumed complete repayment of the $12.4 billion loan in 1987. The fund is then depleted in 1988, based on alternative III assumptions.

In both tables 13 and 14, the estimated operations of the combined OASI and DI Trust Funds are shown, along with the combined operations of all three trust funds. Although the 1983 amendments extended the authority for interfund borrowing through 1987, no interfund loans would be required through that year under either set of assumptions. The estimated depletion of the HI Trust Fund occurs after the expiration of the interfund borrowing authority, and after the assumed completion of repayment of the loans made from the HI Trust Fund in 1982.

Estimates of the effects of the various provisions in the 1983 amendments which have an effect on the HI program are shown in tables 15 and 16 for calendar years 1983–89, on the basis of alternatives II–B and III, respectively.

2. Long-range estimates

Long-range estimates for the next 25 years are shown in table 17 for the HI program as amended by Public Law 98–21. The estimates are based on the alternative II–B assumptions.

As in the case of the OASDI program, annual expenditures as a percentage of taxable earnings are shown in table 17 as the cost rate. The income rate for the HI program is simply the combined scheduled tax rate for employees and employers.

In each of the 25 years in the projection period, the cost rate exceeds the income rate. The average deficit over the 25-year period is 1.35 percent of taxable earnings under the amended program—a reduction of 0.78 percent of taxable payroll from the 2.13 percent average deficit under the program as in effect before the enactment of the 1983 amendments. Thus, the deficit of the HI program was reduced by more than one-third. However, the average long-range deficit of the HI program is still very high, representing almost one-third of the total long-range cost of the program.

TABLE 1.—VALUES OF SELECTED ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS FOR 1983 ALTERNATIVES II–B AND III, BY CALENDAR YEAR

Calendar year	Percentage increase in average annual—			Average civilian unemployment rate (percent)	Total fertility rate [3]
	Wages in covered employment [1]	Consumer Price Index	Real wages [2]		
Alternative II–B:					
1982	5.6	6.0	−0.4	9.7	1.87
1983	4.3	4.1	.2	10.7	1.86
1984	7.3	6.2	1.1	9.7	1.86
1985	6.9	6.5	.4	8.8	1.87
1986	6.6	5.7	.9	8.4	1.87
1987	6.8	5.5	1.3	8.1	1.88
1988	6.7	5.3	1.4	7.8	1.88
1989	6.5	5.0	1.5	7.5	1.89
1990	5.7	4.4	1.3	7.1	1.90
1991	5.7	4.0	1.7	6.7	1.90
1992	5.6	4.0	1.6	6.4	1.91
1995	5.5	4.0	1.5	5.6	1.93
2000	5.5	4.0	1.5	5.5	1.96
2005	5.5	4.0	1.5	5.5	1.99
2010 and later	5.5	4.0	1.5	5.5	2.00
Alternative III:					
1982	5.6	6.0	−.4	9.7	1.85
1983	4.2	5.2	−1.0	11.0	1.84
1984	7.0	7.7	−.7	10.8	1.82
1985	6.8	7.5	−.7	10.1	1.81
1986	6.7	6.5	.2	9.3	1.80
1987	6.9	6.2	.7	9.0	1.79
1988	6.6	5.8	.8	8.6	1.77
1989	6.6	5.5	1.1	8.2	1.76
1990	6.0	5.0	1.0	7.8	1.75
1991	6.4	5.0	1.4	7.4	1.74
1992	6.2	5.0	1.2	7.0	1.73

[1] As defined under the law in effect before Public Law 98–21.
[2] Expressed as the difference between the percentage increases in average annual wages and average annual CPI.
[3] Average number of children born to a woman in her lifetime, assuming that she survives the child-bearing period.

TABLE 2.—ASSUMED OASDI BENEFIT INCREASES UNDER OLD LAW AND NEW LAW, BASED ON 1983 ALTERNATIVE II–B AND III ASSUMPTIONS, CALENDAR YEARS 1983–92

[In percent]

	Old law [1]		New law [2]	
	Alternative II–B	Alternative III	Alternative II–B	Alternative III
Calendar year:				
1983 [3]	3.9	4.1	3.9	4.1
1984	6.0	7.9	6.4	[4] 4.3
1985	6.5	7.8	6.5	[4] 6.8
1986	6.0	6.8	5.7	6.5
1987	5.6	6.3	5.5	6.2
1988	5.4	5.9	5.2	5.7
1989	5.1	5.6	4.9	5.4
1990	4.6	5.1	4.4	5.0
1991	4.2	5.0	4.0	[4] 5.0
1992	4.0	5.0	4.0	5.0

[1] Effective for June of each year.
[2] Effective for December of each year.
[3] Assumptions were developed before the actual benefit increase of 3.5 percent, under both old law and new law, was determined.
[4] Under the stabilizer provision, the increases for 1984 and 1985 are based on average wage increases in 1983 and 1984, respectively. The higher corresponding CPI increases, which would otherwise determine the benefit increases, are assumed to be 7.8 percent and 7.4 percent, respectively. All persons eligible for benefits for December 1990 would receive at least the assumed increase of 5 percent; however, under the "catch-up" provision, those beneficiaries who were also eligible for December of both years 1984 and 1985, and those who were eligible for December 1985 but not for December 1984, would receive total benefit increases of 9.1 percent and 5.6 percent, respectively. See accompanying text.

TABLE 3.—INCREASES IN NORMAL RETIREMENT AGE AND DELAYED RETIREMENT CREDITS, WITH RESULTING BENEFIT, AS A PERCENTAGE OF PIA, PAYABLE AT SELECTED AGES, FOR PERSONS REACHING AGE 62 IN EACH YEAR 1986 AND LATER

Year of birth	Year of attainment of age 62	Normal retirement age (NRA)	Credit for each year of delayed retirement after NRA (percent)	Benefit, as a percentage of PIA, beginning at age—				
				62	65	66	67	70
1924	1986	65	3	80	100	103	106	115
1925	1987	65	3½	80	100	103½	107	117½
1926	1988	65	3½	80	100	103½	107	117½
1927	1989	65	4	80	100	104	108	120
1928	1990	65	4	80	100	104	108	120
1929	1991	65	4½	80	100	104½	109	122½
1930	1992	65	4½	80	100	104½	109	122½
1931	1993	65	5	80	100	105	110	125
1932	1994	65	5	80	100	105	110	125
1933	1995	65	5½	80	100	105½	111	127½
1934	1996	65	5½	80	100	105½	111	127½
1935	1997	65	6	80	100	106	112	130
1936	1998	65	6	80	100	106	112	130
1937	1999	65	6½	80	100	106½	113	132½
1938	2000	65, 2 mo	6½	79⅙	98⅝	105 5/12	111 11/12	131 5/12
1939	2001	65, 4 mo	7	78⅓	97½	104⅔	111⅔	132⅔
1940	2002	65, 6 mo	7	77½	96⅜	103½	110½	131½
1941	2003	65, 8 mo	7½	76⅔	95⅝	102½	110	131¼
1942	2004	65, 10 mo	7½	75⅝	94⅛	101¼	108¾	131¼
1943–54	2005–16	66	8	75	93⅓	100	108	132
1955	2017	66, 2 mo	8	74⅙	92⅜	98⅝	106⅔	130⅝
1956	2018	66, 4 mo	8	73⅓	91⅛	97½	105⅓	129⅓
1957	2019	66, 6 mo	8	72½	90	96⅜	104	128
1958	2020	66, 8 mo	8	71⅔	88⅝	95⅝	102⅔	126⅝
1959	2021	66, 10 mo	8	70⅝	87½	94⅛	101⅓	125⅓
1960 and later	2022 and later	67	8	70	86⅔	93⅓	100	124

TABLE 4.—OASDI AND HI TAX RATES UNDER THE OLD LAW AND THE NEW LAW

[In percent]

Year	Old law			New law		
	OASDI	HI	Total	OASDI	HI	Total
Employees and employers, each:						
1983	5.4	1.30	6.70	5.40	1.30	6.70
1984	5.4	1.30	6.70	5.70	1.30	7.00
1985	5.7	1.35	7.05	5.70	1.35	7.05
1986–87	5.7	1.45	7.15	5.70	1.45	7.15
1988–89	5.7	1.45	7.15	6.06	1.45	7.51
1990 and after	6.2	1.45	7.65	6.20	1.45	7.65
Self-employed persons:						
1983	8.05	1.30	9.35	8.05	1.3	9.35
1984	8.05	1.30	9.35	11.40	2.6	14.00
1985	8.55	1.35	9.90	11.40	2.7	14.10
1986–87	8.55	1.45	10.00	11.40	2.9	14.30
1988–89	8.55	1.45	10.00	12.12	2.9	15.02
1990 and after	9.30	1.45	10.75	12.40	2.9	15.30

TABLE 5.—OASI AND DI TAX RATES UNDER THE OLD LAW AND THE NEW LAW

[In percent]

Year	Old law			New law		
	OASI	DI	OASDI	OASI	DI	OASDI
Employees and employers, each:						
1983	4.575	0.825	5.4	4.775	0.625	5.40
1984	4.575	.825	5.4	5.200	.500	5.70
1985	4.750	.950	5.7	5.200	.500	5.70
1986–87	4.750	.950	5.7	5.200	.500	5.70
1988–89	4.750	.950	5.7	5.530	.530	6.06
1990–99	5.100	1.100	6.2	5.600	.600	6.20
2000 and after	5.100	1.100	6.2	5.490	.710	6.20
Self-employed persons:						
1983	6.8125	1.2375	8.05	7.1125	.9375	8.05
1984	6.8125	1.2375	8.05	10.4000	1.0000	11.40
1985	7.1250	1.4250	8.55	10.4000	1.0000	11.40
1986–87	7.1250	1.4250	8.55	10.4000	1.0000	11.40
1988–89	7.1250	1.4250	8.55	11.0600	1.0600	12.12
1990–99	7.6500	1.6500	9.30	11.2000	1.2000	12.40
2000 and after	7.6500	1.6500	9.30	10.9800	1.4200	12.40

TABLE 6.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21, BASED ON 1983 ALTERNATIVE II–B ASSUMPTIONS, CALENDAR YEARS 1982–92

[Dollar amounts in billions]

Calendar year	Income			Outgo			Interfund borrowing transfers [1]	
	OASI	DI	OASDI	OASI	DI	OASDI	OASI	DI
1982	$125.2	$22.7	$147.9	$142.1	$18.0	$160.1	$17.5	—$5.1
1983	150.9	21.1	171.9	151.6	17.7	169.4	.....	.....
1984	165.2	17.3	182.4	162.6	17.9	180.5	—.3	.....
1985	183.8	18.7	202.5	178.6	18.9	197.5	.....	.....
1986	201.1	20.3	221.3	196.3	20.1	216.4	—1.6	.....
1987	219.4	22.0	241.4	213.2	21.3	234.5	—2.3	.....
1988	253.3	25.2	278.5	230.8	22.7	253.6	—8.2	.....
1989	277.2	27.4	304.6	248.7	24.2	272.9	—5.1	5.1
1990	303.4	33.0	336.5	266.9	26.0	292.9	.....	.....
1991	327.9	36.0	363.9	285.0	27.8	312.8	.....	.....
1992	354.0	39.0	393.0	302.7	29.9	332.5	.....	.....

	Net increase in funds			Funds at end of year			Assets at beginning of year as a percentage of outgo during year [2]		
	OASI	DI	OASDI	OASI	DI	OASDI	OASI	DI	OASDI
1982	$0.6	—$0.4	$0.2	$22.1	$2.7	$24.8	15	17	15
1983	—.8	3.3	2.6	21.3	6.0	27.4	15	15	15
1984	2.3	—.7	1.6	23.6	5.4	29.0	20	40	22
1985	5.2	—.2	5.0	28.9	5.2	34.0	21	35	22
1986	3.2	.2	3.4	32.0	5.3	37.4	22	33	23
1987	3.9	.7	4.6	35.9	6.1	42.0	22	32	23
1988	14.2	2.5	16.7	50.1	8.5	58.7	23	34	24
1989	23.4	8.2	31.6	73.6	16.8	90.3	28	43	29
1990	36.5	7.0	43.6	110.1	23.8	133.9	36	73	39
1991	42.9	8.2	51.1	153.0	32.0	185.0	47	94	51
1992	51.3	9.1	60.4	204.3	41.1	245.4	59	116	64

[1] Positive figures represent amounts borrowed by the trust fund or recoveries of prior loans to other trust funds; negative figures represent amounts loaned by the trust fund or repayments of prior loans from other trust funds.

[2] Assets at beginning of year are defined for the OASI and DI trust funds as assets at end of prior year plus the respective OASI and DI advance tax transfers for January.

TABLE 7.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21, BASED ON 1983 ALTERNATIVE III ASSUMPTIONS, CALENDAR YEARS 1982–92

[Dollar amounts in billions]

Calendar year	Income			Outgo			Interfund borrowing transfers [1]	
	OASI	DI	OASDI	OASI	DI	OASDI	OASI	DI
1982	$125.2	$22.7	$147.9	$142.1	$18.0	$160.1	$17.5	−$5.1
1983	150.2	21.0	171.2	151.7	17.7	169.4	.....	.....
1984	162.0	17.0	179.0	163.1	17.9	181.0	.....	.....
1985	179.1	18.2	197.3	175.9	18.5	194.4	.....	.....
1986	196.7	19.9	216.6	194.0	19.8	213.8	.....	.....
1987	215.1	21.6	236.7	212.6	21.2	233.7	−12.4	.....
1988	248.2	24.7	272.9	232.0	22.7	254.7	.....	.....
1989	271.8	26.9	298.7	251.5	24.3	275.8	−5.1	5.1
1990	297.9	32.6	330.5	271.7	26.1	297.8	.....	.....
1991	323.1	35.7	358.8	292.3	28.0	320.3	.....	.....
1992	350.1	38.9	389.0	322.8	30.6	353.5	.....	.....

	Net increase in funds			Funds at end of year			Assets at beginning of year as a percentage of outgo during year [2]		
	OASI	DI	OASDI	OASI	DI	OASDI	OASI	DI	OASDI
1982	$0.6	−$0.4	$0.2	$22.1	$2.7	$24.8	15	17	15
1983	−1.5	3.3	1.8	20.6	6.0	26.6	15	15	15
1984	−1.1	−1.0	−2.1	19.6	5.0	24.5	20	40	22
1985	3.3	−.3	2.9	22.8	4.6	27.5	18	33	20
1986	2.8	.1	2.8	25.6	4.7	30.3	19	30	20
1987	−9.9	.4	−9.5	15.7	5.1	20.8	19	29	20
1988	16.2	2.0	18.2	31.8	7.2	39.0	14	30	16
1989	15.1	7.7	22.9	47.0	14.9	61.9	20	37	22
1990	26.2	6.5	32.7	73.1	21.4	94.6	25	66	29
1991	30.8	7.7	38.4	103.9	29.1	133.0	33	85	37
1992	27.3	8.3	35.6	131.2	37.4	168.6	40	104	45

[1] Positive figures represent amounts borrowed by the trust fund or recoveries of prior loans to other trust funds; negative figures represent amounts loaned by the trust fund or repayments or prior loans from other trust funds.

[2] Assets at beginning of year are defined for the OASI and DI trust funds as assets at end of prior year plus the respective OASI and DI advance tax tranfers for January.

TABLE 8.—ESTIMATED AMOUNTS OF CHANGES IN OASDI TAX INCOME, GENERAL FUND TRANSFERS, AND BENEFIT PAYMENTS THAT WILL RESULT FROM THE PROVISIONS IN PUBLIC LAW 98–21, BASED ON 1983 ALTERNATIVE II–B ASSUMPTIONS, CALENDAR YEARS 1983–89

[In billions of dollars]

Provision	Calendar year—							Total, 1983–89
	1983	1984	1985	1986	1987	1988	1989	
Increase tax rate on covered wages and salaries		8.6	0.3			14.5	16.0	39.4
Increase tax rate on covered self-employment earnings		1.1	3.1	3.0	3.2	3.7	4.4	18.5
Cover all Federal elected officials and political appointees		(1)	(1)	(1)	(1)	(1)	(1)	.1
Cover new Federal employees		.2	.7	1.2	1.8	2.4	3.1	9.3
Cover all nonprofit employees		1.3	1.5	1.8	2.1	2.6	3.0	12.4
Total for new coverage		1.5	2.2	3.0	3.9	5.0	6.1	21.8
Prohibit State and local government terminations		.1	.2	.4	.6	.8	1.1	3.2
Accelerate collection of State and local taxes		.6	(1)	(1)	.1	.1	.1	1.0
Modify general fund financing basis for noncontributory military service credits	18.4	−.4	−.4	−.3	−.4	−.4	−.4	16.1
Provide reimbursements from general fund for unnegotiated checks	1.3	.1	.1	.1	.1	.1	.1	1.6
Delay benefit increases 6 months	3.2	5.2	5.4	5.5	6.2	6.7	7.3	39.4
Continue benefits on remarriage		(2)	(2)	(2)	(2)	(2)	(2)	−.1
Modify indexing of deferred survivors' benefits			(2)	(2)	(2)	(2)	(2)	(2)
Raise disabled widow(er)'s benefits to 71.5 percent of PIA		−.2	−.2	−.2	−.2	−.3	−.3	−1.4
Pay divorced spouses whether or not worker has retired			(2)	(2)	(2)	(2)	(2)	−.1
Replace 90-percent factor in benefit formula with variable percentage, for individuals receiving pensions from noncovered employment				(3)	(3)	(3)	.1	.1
Offset spouses benefits by up to two-thirds of noncovered Government pension	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Expand use of death certificates to stop benefits	(3)	(3)	(3)	(3)	(3)	(3)	(3)	.1
Impose 5-year residency requirement for certain aliens			(3)	(3)	(3)	(3)	(3)	.1
Tax one-half of benefits for high income beneficiaries		2.6	3.2	3.9	4.7	5.6	6.7	26.6
All other miscellaneous and technical changes	(2)	(2)	(2)	(2)	(2)	(2)	(2)	−.1
Total for all changes	22.8	19.2	13.9	15.3	18.0	35.8	41.2	166.2

[1] New additional taxes of less than $50 million.
[2] Additional benefits of less than $50 million.
[3] Reduction in benefits of less than $50 million.

Note: Estimates shown for each provision include the effects of interaction with all preceding provisions. Totals do not always equal the sum of components due to rounding. Positive figures represent additional income or reductions in benefits. Negative figures represent reductions in income or increases in benefits.

TABLE 9.—ESTIMATED AMOUNTS OF CHANGES IN OASDI TAX INCOME, GENERAL FUND TRANSFERS, AND BENEFIT PAYMENTS THAT WILL RESULT FROM THE PROVISIONS IN PUBLIC LAW 98–21, BASED ON 1983 ALTERNATIVE III ASSUMPTIONS, CALENDAR YEARS 1983–89

[In billions of dollars]

Provision	Calendar year—							Total, 1983–89
	1983	1984	1985	1986	1987	1988	1989	
Increase tax rate on covered wages and salaries		8.4	0.3			14.2	15.8	38.7
Increase tax rate on covered self-employment earnings		1.0	3.1	3.0	3.2	3.6	4.4	18.4
Cover all Federal elected officials and political appointees		(1)	(1)	(1)	(1)	(1)	(1)	.1
Cover new Federal employees		.2	.7	1.2	1.8	2.4	3.1	9.4
Cover all nonprofit employees		1.3	1.5	1.8	2.1	2.6	3.0	12.3
Total for new coverage		1.5	2.2	3.0	3.9	5.0	6.1	21.8
Prohibit State and local government terminations		.1	.2	.4	.6	.8	1.0	3.1
Accelerate collection of State and local taxes		.7	(1)	(1)	.1	.1	.1	1.0
Modify general fund financing basis for noncontributory military service credits	18.4	−.4	−.4	−.4	−.4	−.4	−.4	15.8
Provide reimbursements from general fund for unnegotiated checks	1.3	.1	.1	.1	.1	.1	.1	1.6
Delay benefit increases 6 months	3.3	6.9	7.7	8.3	9.1	9.6	10.4	55.3
Limit benefit increase to lesser of wage or price increase, under certain conditions			6.3	7.8	8.2	8.6	8.9	39.9
Continue benefits on remarriage		(2)	(2)	(2)	(2)	(2)	(2)	−.1
Modify indexing of deferred survivors' benefits			(2)	(2)	(2)	(2)	(2)	(2)
Raise disabled widow(er)'s benefits to 71.5 percent of PIA		−.2	−.2	−.2	−.2	−.3	−.3	−1.4
Pay divorced spouses whether or not worker has retired			(2)	(2)	(2)	(2)	(2)	−.1
Replace 90-percent factor in benefit formula with variable percentage, for individuals receiving pensions from noncovered employment				(3)	(3)	(3)	.1	.1
Offset spouses benefits by up to two-thirds of noncovered Government pension	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Expand use of death certificates to stop benefits	(3)	(3)	(3)	(3)	(3)	(3)	(3)	.1
Impose 5-year residency requirement for certain aliens			(3)	(3)	(3)	(3)	(3)	.1
Tax one-half of benefits for high income beneficiaries		2.6	3.1	3.8	4.7	5.6	6.8	26.6
All other miscellaneous and technical changes	(2)	(2)	(2)	(2)	(2)	(2)	(2)	−.1
Total for all changes	23.0	20.7	22.4	25.8	29.1	47.0	52.9	220.7

[1] Net additional taxes of less than $50 million.
[2] Additional benefits of less than $50 million.
[3] Reduction in benefits of less than $50 million.

Note: Estimates shown for each provision include the effects of interaction with all preceding provisions. Totals do not always equal the sum of components due to rounding. Positive figures represent additional income or reductions in benefits. Negative figures represent reductions in income or increases in benefits.

TABLE 10.—ESTIMATED LONG-RANGE OASDI COST EFFECT OF THE SOCIAL SECURITY AMENDMENTS OF 1983 (PUBLIC LAW 98–21)

Section	Provision	Effect, as percent of taxable payroll		
		OASI	DI	OASDI
	Old law:			
	Average cost rate	13.04	1.34	14.38
	Average tax rate	10.13	2.17	12.29
	Actuarial balance	−2.92	+.83	−2.09
	Changes included in titles I and III of the amendments [1]:			
101	Cover new Federal employees	+.26	+.02	+.28
102	Cover all non-profit employees	+.09	+.01	+.10
103	Prohibit State and local termination	+.06	+.00	+.06
111	Delay benefiter increases 6 months	+.28	+.03	+.30
113	Eliminate "windfall" benefits	+.04	+.00	+.04
114	Increase delayed retirement credits	−.10	.....	−.10
121	Taxation of benefits	+.56	+.05	+.61
123	Accelerate tax rate increase	+.03	.....	+.03
124	Increase tax rate on self-employment	+.17	+.02	+.19
124	Adjust self-employment income	−.02	−.00	−.03
125	Change DI tax rate allocation	+.81	−.81	.....
131	Continue benefits on remarriage	−.00	−.00	−.00
132	Pay divorced spouses of non-retired workers	−.01	−.00	−.01
133	Modify indexing of widow(er) benefits	−.05	.....	−.05
134	Raise disabled widow(er)'s benefits	−.01	.....	−.01
151	Modify military credits financing	+.01	+.00	+.01
152	Reimburse unnegotiated checks	+.00	+.00	+.00
324	Tax certain salary reduction plans	+.03	+.00	+.03
337	Modify public pension offset	−.00	−.00	−.00
340	Suspend auxiliary benefits for certain aliens	+.00	+.00	+.00
348	Modify earnings test at ages 65 and over [2]	−.01	.....	−.01
	All other provisions of Titles I and III	−.00	−.00	−.00
	Subtotal for the effect of the above provisions [3]	+2.07	−.68	+1.38
	Remaining deficit after the above provisions	−.85	+.15	−.71
	Additional change relating to long-term financing (Title II of the amendments) [4]:			
201	Raise normal retirement age to 67	+.83	−.12	+.71
	Total effect of all of the provisions [5]	+2.89	−.80	+2.09
	New law:			
	Actuarial balance	−.03	+.03	−.00
	Average income rate	11.47	1.42	12.89
	Average cost rate	11.50	1.39	12.89

[1] The values for each of the individual provisions listed from Title I and Title III represent the effect over old law and do not take into account interaction with other provisions, with the exception of Section 348.

[2] Estimates for modifying the earnings test take into account interaction with Section 114, which increases delayed retirement credits.

[3] The values in the subtotal for all provisions included in Title I and Title III take into account the estimated interactions among these provisions.

[4] The values take into account interaction with the provisions included in Title I and Title III.

[5] The values for the total effect of the amendments take into account interactions among all of the provisions.

Note: The above estimates are based on the 1983 alternative II–B assumptions. Individual estimates may not add to totals due to rounding and/or interaction amount proposals.

TABLE 11.—ESTIMATED LONG-RANGE OASDI ANNUAL COST RATE, INCOME RATE, AND ACTUARIAL BALANCE UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21

[Percent of taxable payroll]

Year	Cost rate			Income rate			Actuarial balance [1]		
	OASI	DI	OASDI	OASI	DI	OASDI	OASI	DI	OASDI
1983	10.74	1.26	12.00	[2] 10.83	[2] 1.42	[2] 12.25	+0.09	+0.17	+0.26
1984	10.24	1.13	11.37	10.58	1.02	11.59	+0.33	−0.11	+0.22
1985	10.25	1.08	11.34	10.59	1.02	11.61	+0.33	−0.06	+0.27
1986	10.34	1.06	11.40	10.61	1.02	11.63	+0.26	−0.04	+0.22
1987	10.32	1.03	11.35	10.62	1.02	11.65	+0.30	−0.01	+0.29
1988	10.32	1.02	11.34	11.30	1.08	12.39	+0.98	+0.07	+1.05
1989	10.28	1.00	11.28	11.33	1.09	12.41	+1.05	+0.08	+1.13
1990	10.29	1.00	11.29	11.49	1.23	12.72	+1.21	+0.23	+1.44
1991	10.23	1.00	11.23	11.52	1.23	12.75	+1.29	+0.23	+1.52
1992	10.15	1.00	11.16	11.55	1.23	12.79	+1.40	+0.23	+1.63
1993	10.02	1.00	11.02	11.56	1.24	12.80	+1.54	+0.24	+1.78
1994	9.89	.99	10.86	11.57	1.24	12.80	+1.70	+0.25	+1.94
1995	9.72	.98	10.80	11.57	1.24	12.80	+1.85	+0.25	+2.10
1996	9.55	.98	10.53	11.56	1.24	12.80	+2.01	+0.26	+2.27
1997	9.32	.97	10.36	11.56	1.24	12.80	+2.17	+0.27	+2.43
1998	9.27	.99	10.26	11.56	1.24	12.80	+2.29	+0.25	+2.54
1999	9.15	1.01	10.16	11.56	1.24	12.79	+2.40	+0.23	+2.63
2000	9.04	1.03	10.07	11.33	1.46	12.79	+2.29	+0.43	+2.72
2001	8.93	1.06	10.00	11.33	1.46	12.79	+2.39	+0.40	+2.78
2002	8.87	1.10	9.97	11.33	1.46	12.79	+2.46	+0.36	+2.83
2003	8.80	1.14	9.94	11.33	1.46	12.79	+2.53	+0.32	+2.86
2004	8.75	1.18	9.93	11.33	1.47	12.80	+2.58	+0.29	+2.87
2005	8.72	1.22	9.93	11.33	1.47	12.80	+2.61	+0.25	+2.86
2006	8.71	1.26	9.97	11.33	1.47	12.80	+2.62	+0.21	+2.84
2007	8.73	1.29	10.02	11.34	1.47	12.81	+2.60	+0.18	+2.78
2010	8.95	1.40	10.35	11.35	1.48	12.83	+2.40	+0.08	+2.48
2015	9.95	1.51	11.46	11.40	1.48	12.89	+1.45	−0.03	+1.43
2020	11.25	1.58	12.83	11.47	1.49	12.96	+0.22	−0.10	+0.13
2025	12.44	1.64	14.08	11.54	1.49	13.03	−0.90	−0.15	−1.03
2030	13.27	1.57	14.84	11.59	1.49	13.09	−1.68	−0.08	−1.75
2035	13.68	1.53	15.22	11.63	1.49	13.12	−2.05	−0.04	−2.10
2040	13.65	1.55	15.20	11.65	1.49	13.14	−2.00	−0.06	−2.06
2045	13.61	1.58	15.19	11.66	1.50	13.16	−1.95	−0.09	−2.03
2050	13.69	1.58	15.27	11.67	1.50	13.16	−2.03	−0.08	−2.10
2055	13.82	1.54	15.39	11.67	1.50	13.17	−2.15	−0.07	−2.22
2060	13.88	1.55	15.43	11.68	1.50	13.17	−2.20	−0.06	−2.26
25-year averages:									
1983–2007	9.63	1.07	10.70	11.28	1.27	12.55	+1.65	+0.20	+1.85
2008–2032	11.17	1.54	12.71	11.47	1.49	12.93	+0.30	+0.05	+0.25
2033–2057	13.69	1.56	15.25	11.66	1.50	13.15	−2.63	−0.07	−2.10
75-year average:									
1983–2057	11.50	1.39	12.89	11.47	1.42	12.89	−0.03	+0.03	−0.00

[1] A positive balance indicates a surplus; a negative balance indicates a deficit.
[2] In 1983 only, income rates include lump-sum reimbursement for costs attributable to wage credits for military service performed before 1957.

Note: The above estimates are based on the 1983 alternative II–B assumptions.

TABLE 12.—ESTIMATED LONG-RANGE OASI AND DI TRUST FUND RATIOS UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21

[In percent]

Year	OASI	DI	OASDI	Year	OASI	DI	OASDI
1981	18	21	18	2021	548	358	525
1982	15	17	15	2022	539	350	516
1983	15	15	15	2023	529	342	507
1984	20	40	22	2024	518	334	496
1985	21	35	22	2025	506	326	485
1986	22	33	23	2026	494	320	474
1987	22	32	23	2027	481	316	462
1988	23	34	24	2028	467	313	450
1989	28	43	29	2029	453	311	438
1990	36	73	39	2030	440	310	426
1991	47	94	51	2031	426	309	413
1992	59	116	64	2032	411	308	401
1993	73	139	79	2033	397	307	388
1994	89	163	95	2034	383	306	375
1995	106	187	114	2035	369	305	362
1996	126	213	134	2036	355	304	350
1997	148	239	157	2037	342	302	338
1998	172	260	180	2038	329	299	326
1999	197	277	205	2039	316	295	314
2000	224	293	231	2040	304	293	303
2001	251	321	258	2041	291	290	291
2002	278	344	286	2042	279	285	279
2003	307	362	313	2043	266	281	267
2004	336	377	341	2044	253	277	255
2005	366	387	369	2045	240	272	243
2006	395	395	395	2046	227	268	231
2007	424	400	421	2047	214	264	219
2008	451	402	445	2048	200	260	206
2009	477	403	467	2049	187	256	194
2010	500	403	487	2050	173	252	181
2011	519	401	503	2051	159	249	168
2012	535	400	517	2052	144	245	155
2013	547	398	527	2053	130	241	141
2014	557	395	535	2054	115	238	126
2015	563	392	540	2055	100	234	114
2016	566	387	543	2056	85	231	100
2017	567	383	543	2057	70	228	86
2018	565	378	541	2058	55	224	72
2019	561	373	538	2059	39	222	58
2020	555	366	532	2060	24	219	44

Note: The above estimates are based on the 1983 alternative II–B assumptions. The trust fund ratio is defined as the ratio of the trust fund balance at the beginning of the year to the outgo during the year. After 1983, ratios reflects the inclusion of advance tax transfers for January. These estimates assume that the $12.4 billion borrowed by OASI from HI in 1982 will be repaid as follows: $0.3 billion in 1984, $1.6 billion in 1986, $2.3 billion in 1987, and $8.2 billion in 1988. It is also assumed that the $5.1 billion borrowed from DI in 1982 will be repaid in 1989.

TABLE 13.—ESTIMATED OPERATIONS OF THE COMBINED OASI AND DI TRUST FUNDS AND OF THE HI TRUST FUND UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21, BASED ON 1983 ALTERNATIVE II–B ASSUMPTIONS, CALENDAR YEARS 1982–92

[Dollars in billions]

Calendar year	Income			Outgo			Interfund borrowing transfers [1]	
	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI
1982	$147.9	$38.0	$185.9	$160.1	$36.1	$196.3	$12.4	−$12.4
1983	171.9	44.7	216.6	169.4	41.1	210.5	.....	.....
1984	182.4	45.9	228.3	180.5	46.8	227.4	−.3	.3
1985	202.5	52.2	254.7	197.5	53.0	250.4	.....	.....
1986	221.3	60.2	281.5	216.4	59.9	276.3	−1.6	1.6
1987	241.4	65.2	306.6	234.5	67.5	302.0	−2.3	2.3
1988	278.5	69.8	348.3	253.6	75.9	329.5	−8.2	8.2
1989	304.6	74.4	379.0	272.9	85.5	358.4	.....	.....
1990	336.5	78.7	415.1	292.9	95.1	388.0	.....	.....
1991	363.9	82.7	446.6	312.8	104.9	417.8	.....	.....
1992	393.0	86.8	479.7	332.5	116.1	448.6	.....	.....

Calendar year	Net increase in funds			Funds at end of year			Assets at beginning of year as a percentage of outgo during year [2]		
	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI	Total
1982	$0.2	−$10.6	−$10.3	$24.8	$8.2	$32.9	15	52	22
1983	2.6	3.6	6.1	27.4	11.7	39.1	15	20	16
1984	1.6	−.6	1.0	29.0	11.1	40.1	22	25	23
1985	5.0	−.7	4.3	34.0	10.4	44.4	22	21	22
1986	3.4	1.9	5.3	37.4	12.3	49.7	23	17	22
1987	4.6	([3])	4.6	42.0	12.3	54.3	23	18	22
1988	16.7	2.2	18.9	58.7	14.5	73.2	24	16	22
1989	31.6	−11.1	20.6	90.3	3.4	93.7	29	17	26
1990	43.6	−16.4	27.2	133.9	−13.0	120.9	39	4	30
1991	51.1	−22.2	28.9	185.0	−35.2	149.8	51	−12	35
1992	60.4	−29.3	31.1	245.4	−64.5	180.9	64	−30	39

[1] Positive figures represent amounts borrowed by the trust fund or recoveries of prior loans to other trust funds; negative figures represent amounts loaned by the trust fund or repayments of prior loans from other trust funds.

[2] Assets at beginning of year are defined for the OASI and DI Trust Funds as assets at end of prior year plus the respective OASI and DI advance tax transfers for January.

[3] Between $0 and $50 million.

TABLE 14.—ESTIMATED OPERATIONS OF THE COMBINED OASI AND DI TRUST FUNDS AND OF THE HI TRUST FUND UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21, BASED ON 1983 ALTERNATIVE III ASSUMPTIONS, CALENDAR YEARS 1982–92

[Dollars in billions]

Calendar year	Income			Outgo			Interfund borrowing transfers [1]	
	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI
1982	$147.9	$38.0	$185.9	$160.1	$36.1	$196.3	$12.4	—$12.4
1983	171.2	44.5	215.8	169.4	41.1	210.6		
1984	179.0	45.1	224.1	181.0	47.0	228.0		
1985	197.3	50.9	248.3	194.4	53.8	248.2		
1986	216.6	58.8	275.4	213.8	62.1	275.9		
1987	236.7	63.4	300.1	233.7	71.3	305.0	—12.4	12.4
1988	272.9	67.4	340.3	254.7	81.7	336.4		
1989	298.7	71.4	370.1	275.8	93.8	369.6		
1990	330.5	74.7	405.2	297.8	106.4	404.2		
1991	358.8	77.8	436.5	320.3	120.1	440.4		
1992	389.0	80.6	469.6	353.5	135.9	489.4		

Calendar year	Net increase in funds			Funds at end of year			Assets at beginning of year as a percentage of outgo during year [2] (in percent)		
	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI	Total
1982	$0.2	$—10.6	—$10.3	$24.8	$8.2	$32.9	15	52	22
1983	1.8	3.4	5.2	26.6	11.6	38.1	15	20	16
1984	—2.1	—1.9	—3.9	24.5	9.7	34.2	22	25	22
1985	2.9	—2.9	.1	27.5	6.8	34.2	20	18	19
1986	2.8	—3.3	—.5	30.3	3.4	33.7	20	11	18
1987	—9.5	4.5	—5.0	20.8	8.0	28.8	20	5	17
1988	18.2	—14.3	3.9	39.0	—6.3	32.7	16	10	14
1989	22.9	—22.4	.5	61.9	—28.7	33.2	22	—7	15
1990	32.7	—31.7	.9	94.6	—60.5	34.1	29	—27	14
1991	38.4	—42.3	—3.9	133.0	—120.8	30.2	37	—50	14
1992	35.6	—55.3	—19.7	168.6	—158.1	10.5	45	—76	12

[1] Positive figures represent amounts borrowed by the trust fund or recoveries of prior loans to other trust funds; negative figures represent amounts loaned by the trust fund or repayments of prior loans from other trust funds.

[2] Assets at beginning of year are defined for the OASI and DI Trust Funds as assets at end of prior year plus the respective OASI and DI advance tax transfers for January.

TABLE 15.—ESTIMATED AMOUNTS OF CHANGES IN HI TAX INCOME, GENERAL FUND TRANSFERS, AND BENEFIT PAYMENTS THAT WILL RESULT FROM THE PROVISIONS IN PUBLIC LAW 98–21, BASED ON 1983 ALTERNATIVE II-B ASSUMPTIONS, CALENDAR YEARS 1983–89

[In billions of dollars]

Provision	Calendar year—							Total, 1983–89
	1983	1984	1985	1986	1987	1988	1989	
Provide for prospective hospital reimbursement [1]			0.2	2.0	3.6	5.2	7.0	18.0
Delay single reimbursement rate for nursing facilities	(2)	(2)						(2)
Reduce allowable return on equity	(3)	.1	.1	.1	.1	.1	.2	.7
Increase tax rate on covered self-employment earnings		.4	1.3	1.5	1.6	1.7	1.8	8.3
Cover all Federal elected officials and political appointees		(4)	(4)	(4)	(4)	(4)	(4)	(4)
Cover all nonprofit employees		.3	.4	.5	.5	.6	.7	3.0
Prohibit State and local government terminations		(4)	.1	.1	.1	.2	.3	.8
Accelerate collection of State and local taxes		.2	(4)	(4)	(4)	(4)	(4)	.2
Modify general fund financing basis for noncontributory military service credits	3.3	−.1	−.1	−.1	−.1	−.1	−.1	2.5
Total for HI changes	3.3	.8	1.9	4.1	5.9	7.8	9.8	33.6

[1] Savings attributable to prospective payments were computed as the additional savings which would be generated in fiscal year 1986 and later by eliminating the October 1985 sunset provision on the hospital rate-of-increase limits of sec. 101(b) of the Tax Equity and Fiscal Responsibility Act of 1982. The prospective payment legislation as passed by Congress does not mandate a system which would necessarily generate this level of savings. Instead, the level of prospective payment rates is left to the discretion of the Secretary of HHS.

[2] Additional benefits of less than $50,000,000.

[3] Reduction in provider reimbursement of less than $50,000,000.

[4] Net additional tax income of less than $50,000,000.

Note: Estimates shown for each provision include the effects of interaction with all preceding provisions. Totals do not always equal the sum of components due to rounding. Positive figures represent additional income or reductions in benefits. Negative figures represent reductions in income or increases in benefits.

TABLE 16.—ESTIMATED AMOUNTS OF CHANGES IN HI TAX INCOME, GENERAL FUND TRANSFERS, AND BENEFIT PAYMENTS THAT WILL RESULT FROM THE PROVISIONS IN PUBLIC LAW 98–21, BASED ON 1983 ALTERNATIVE III ASSUMPTIONS, CALENDAR YEARS 1983–89

[In billions of dollars]

Provision	Calendar year—							Total, 1983–89
	1983	1984	1985	1986	1987	1988	1989	
Provide for prospective hospital reimbursement [1]			0.2	2.1	3.8	5.6	7.6	19.4
Delay single reimbursement rate for nursing facilities	(2)	(2)						(2)
Reduce allowable return on equity	(3)	.1	.1	.1	.2	.2	.2	.9
Increase tax rate on covered self-employment earnings		.4	1.3	1.5	1.6	1.7	1.8	8.3
Cover all Federal elected officials and political appointees		(4)	(4)	(4)	(4)	(4)	(4)	(4)
Cover all nonprofit employees		.3	.4	.5	.5	.6	.7	3.0
Prohibit State and local government terminations		(4)	.1	.1	.1	.2	.2	.8
Accelerate collection of State and local taxes		.2	(4)	(4)	(4)	(4)	(4)	.2
Modify general fund financing basis for noncontributory military service credits	3.3	−.1	−.1	−.1	−.1	−.1	−.1	2.5
Total for HI changes	3.3	.8	1.9	4.2	6.2	8.2	10.5	35.0

[1] Savings attributable to prospective payments were computed as the additional savings which would be generated in fiscal year 1986 and later by eliminating the October 1985 sunset provision on the hospital rate-of-increase limits of sec. 101(b) of the Tax Equity and Fiscal Responsibility Act of 1982. The prospective payment legislation as passed by Congress does not mandate a system which would necessarily generate this level of savings. Instead, the level of prospective payment rates is left to the discretion of the Secretary of HHS.

[2] Additional benefits of less than $50,000,000.

[3] Reduction in provider reimbursement of less than $50,000,000.

[4] Net additional tax income of less than $50,000,000.

Note: Estimates shown for each provision include the effects of interaction with all preceding provisions. Totals do not always equal the sum of components due to rounding. Positive figures represent additional income or reductions in benefits. Negative figures represent reductions in income or increases in benefits.

TABLE 17.—ESTIMATED LONG-RANGE HI ANNUAL COST RATE, ANNUAL INCOME RATE, AND ACTUARIAL BALANCE UNDER THE PROGRAM AS AMENDED BY PUBLIC LAW 98–21

[Percent of taxable payroll]

Year	Cost rate [1]	Income rate [2]	Difference [3]
1983	2.78	2.60	−0.18
1984	2.79	2.60	−0.19
1985	2.89	2.70	−0.19
1986	3.01	2.90	−0.11
1987	3.14	2.90	−0.24
1988	3.27	2.90	−0.37
1989	3.42	2.90	−0.52
1990	3.54	2.90	−0.64
1991	3.67	2.90	−0.77
1992	3.80	2.90	−0.90
1993	3.92	2.90	−1.02
1994	4.06	2.90	−1.16
1995	4.20	2.90	−1.30
1996	4.34	2.90	−1.44
1997	4.46	2.90	−1.56
1998	4.60	2.90	−1.70
1999	4.71	2.90	−1.81
2000	4.83	2.90	−1.93
2001	4.96	2.90	−2.06
2002	5.10	2.90	−2.20
2003	5.30	2.90	−2.40
2004	5.39	2.90	−2.49
2005	5.55	2.90	−2.65
2006	5.73	2.90	−2.85
2007	5.91	2.90	−3.01
25-year average: 1983–2007	4.22	2.87	−1.35
Under old law: 1983–2007	5.00	2.87	−2.13

[1] Defined as the annual expenditures of the program, expressed as a percentage of the effective taxable payroll. It does not include additional amounts that would be needed to maintain the trust fund balance at an adequate level.

[2] This is simply the combined employee-employer tax rate. The provision for taxation of benefits—which is an additional source of income for the OASDI program—does not apply to the HI program.

[3] A positive figure indicates a surplus; a negative balance indicates a deficit.

Note: The above estimates are based on the 1983 alternative II–B assumptions.

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